

Lesson 11. Preventing Online Auction Fraud

Lesson Purpose

To focus on online auctions – how they operate, how fraud occurs, and strategies for preventing and reporting fraud.

Learning Objectives

Participants will be able to:

- Describe how online auctions operate.
- Recognize ways that fraud occurs.
- List strategies to prevent online auction fraud.
- Identify resources for assistance when fraud has occurred.

Materials

Presentation: Preventing Online Auction Fraud

Handout(s): *“Online Auction Fraud”*

Supplement: *“Online Auctions”* Download from the National Consumer League, at <http://www.fraud.org/tips/internet/onlineauctions.htm>

Display print samples of pages from online auction sites that contain security policies and guarantees.

Related Resources

National Crime Prevention Council, www.ncpc.org

National Consumer League, www.nclnet.org

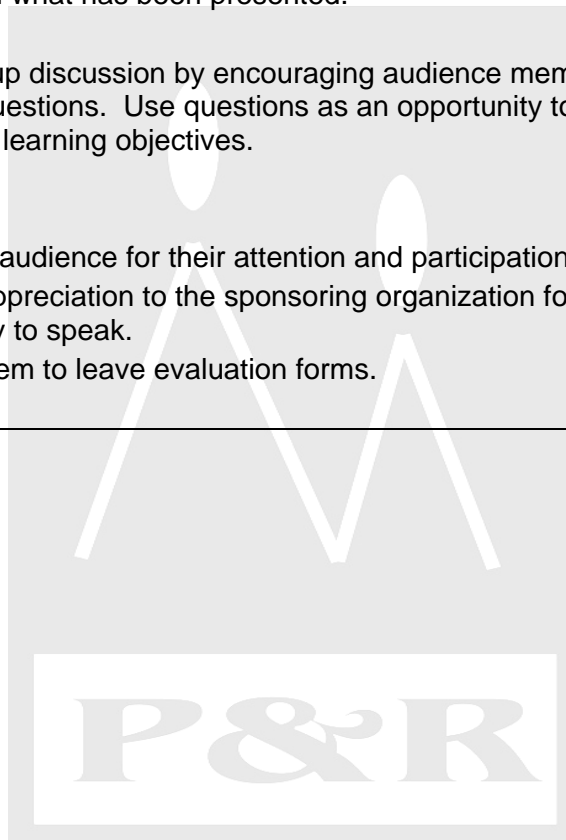
Lesson Plan

Time	Main Points	Slide
Introduction		
5 min.	Millions of people take part in Internet auctions every day. Buyers and sellers alike benefit from the opportunities that online auctions provide, but these auctions also give criminals the opportunity to perpetrate fraud. According to the National Consumers League, online auction fraud is the number one fraud committed over the Internet.	1 – 2
	Briefly describe a local example of online auction fraud.	
	Today, we'll look at how online auctions operate, ways to spot a fraud, and strategies to prevent becoming a victim of such a fraud.	2
	Distribute handout: <i>“Online Auction Fraud”</i>	

Time	Main Points	Slide
Presentation		
2 min.	How Online Auctions Work <ul style="list-style-type: none"> In an online format that resembles a real-life auction, people offer cameras, computers, artwork, jewelry, and dozens of other products, usually in a set time frame for bidding to take place. Prospective buyers examine the descriptions and photos, and decide whether (and for how much) to place bids. As in a live auction, the highest bidder wins. Upon winning, the buyer sends payment for the auction item, possibly to an online escrow service that holds payment until the buyer receives the goods. 	3
4 min.	How Auction Fraud Occurs (See handout for full details) Both consumers and merchants can be victims of online auction fraud. Here are some ways that fraud occurs during or after an online auction: <ul style="list-style-type: none"> Failure to deliver goods. Nonpayment for delivered goods. Misrepresentation of merchandise. Hidden charges. 	4
	<ul style="list-style-type: none"> Fake bidding. Credit card fraud. Black market goods. Bogus escrow services. 	5
12 min.	Preventing Online Auction Fraud <ul style="list-style-type: none"> Understand how an online auction works before you bid on merchandise. What are your obligations as a buyer? Don't judge by initial appearances. Investigate the seller as much as possible. Contact the seller before bidding to find out what type of payment is required, when you can expect delivery, what the return policy is, if the merchandise is covered by warranty, and if shipping and delivery are included in the price. 	6
	<ul style="list-style-type: none"> Try to pay the seller directly with a credit card. Consider using an escrow service or alternate payment service. Protect yourself from identity theft by not giving out personal information. Do not send your credit card numbers electronically unless you know for sure that the Web site is secure and encrypted. 	7

Time	Main Points	Slide
8 min.	Reporting Online Auction Fraud <ul style="list-style-type: none"> ▪ File a complaint with the online auction company. ▪ Notify your local and state law enforcement officials. ▪ Notify law enforcement officials in the perpetrator's town and state. ▪ File a complaint with the Better Business Bureau in the seller's area (www.bbb.org). 	8
	<ul style="list-style-type: none"> ▪ Fill out the online complaint form at www.fraud.org, or call the Fraud Hotline at (800)-876-7060, 9 a.m. to 5 p.m., Eastern Standard Time, Monday through Friday. ▪ File a complaint with the Federal Trade Commission Bureau of Consumer Protection, www.consumer.gov/sentinel/. ▪ File a complaint with the Internet Fraud Complaint Center, a partnership between the National White Collar Crime Center and the Federal Bureau of Investigation, www1.ifccfbi.gov/index.asp. 	9
2 min.	Summarizing <ul style="list-style-type: none"> ▪ Learn how online auctions work. ▪ Be alert to fraud opportunities. ▪ Contact the seller for details. ▪ Take security measures for payment. ▪ Report any fraud 	10
Practice/feedback		
10 min.	<p>Have participants review the list of strategies for preventing online auction fraud in their handout. Ask them to place a checkmark (✓) beside the things they now do and to place an asterisk (*) beside the things they need to begin to do.</p> <p>Give participants 5 to 7 minutes to complete this review. The instructor should circulate among participants during this time. Conclude the activity by asking 2 or 3 volunteer participants to share what they learned from the review. The instructor should reinforce prevention strategies and key learning points.</p>	11

Time	Main Points	Slide
Evaluation		
10 min.	<p>Set-up</p> <p>“We have a few minutes for questions and additional discussion. While we’re doing that, we have a brief evaluation form we’d like for you to complete and leave with us. Your name is not required, but your feedback is very important. It will help us improve our presentation and program.”</p> <p>Distribute evaluation forms and ask for questions or additional comments on what has been presented.</p> <p>Promote group discussion by encouraging audience members to help respond to questions. Use questions as an opportunity to clarify and reinforce key learning objectives.</p> <p>Wrap-up</p> <ul style="list-style-type: none"> ▪ Thank the audience for their attention and participation. ▪ Express appreciation to the sponsoring organization for the opportunity to speak. ▪ Remind them to leave evaluation forms. 	12



11. Preventing Online Auction Fraud

Please tell us what you think about this lesson by circling the numbers that most closely reflect your opinions.

After this lesson . . .	Strongly Disagree	Disagree	Agree	Strongly Agree
a) I have a better understanding of how online auctions operate.	1	2	3	4
b) I am better able to recognize ways that fraud occurs in online auctions.	1	2	3	4
c) I know to more strategies to prevent online auction fraud.	1	2	3	4
d) I am now more likely to report online auction activities that appear fraudulent.	1	2	3	4
About this lesson . . .				
e) The information presented was valuable.	1	2	3	4
f) The lesson was presented in a clear and understandable manner.	1	2	3	4
g) Lesson activities and discussion were helpful.	1	2	3	4
h) I would recommend this lesson to others.	1	2	3	4

What was the most valuable thing you learned?

Please give one example of how you plan to use the information presented in this lesson.

How could this lesson be improved?

